

# DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO NEWSPAPER ASSOCIATION OF AMERICA MOTION TO STRIKE  
TESTIMONY OF UNITED STATES POSTAL SERVICE WITNESS JOSEPH D.  
MOELLER AND NOTICE OF INTENT TO FILE TESTIMONY

The United States Postal Service hereby responds to the Newspaper Association of America Motion to Strike Testimony of United States Postal Service Witness Joseph D. Moeller (hereinafter "Motion"), filed on September 26, 1997. Newspaper Association of America (NAA) moves to strike those portions of witness Moeller's testimony that relate to the study, designated as Library Reference H-182, of the *relationship between cost and weight in Standard Mail*. NAA faults the witness' testimony as it relates to the study on the grounds that the Postal Service has not supplied a witness to "sponsor" the study and to "defend" the assumptions or methodology therein. Motion at 2, 4.

In its Motion, NAA observes that the Commission has, through issuance of Notice of Inquiry No. 1, undertaken to examine the evidentiary status of studies and analyses filed as library references. Motion at 1. NAA further acknowledges that the Commission may opt "to decide the status of such library references in the context of that Inquiry." Motion at 1. NAA nonetheless declares that its purpose in filing its Motion is simply to preserve its rights, presumably with respect to the receipt into record evidence of designated portions of witness Moeller's testimony.

The Postal Service's position with regard to the extent to which witnesses may

rely on studies and analyses for which no Postal Service witness offers direct testimony are stated in its response to Notice of Inquiry No. 1, filed today. In its response, the Postal Service explains that the production of a witness to testify to the contents of a study or analysis may be appropriate in circumstances in which judgment or opinion is employed in making key choices or assumptions in the construction of the study or analysis at issue. See Response of the United States Postal Service to Notice of Inquiry No. 1 (filed October 6, 1997). Since NAA has, through its Motion, challenged assumptions made in the study,<sup>1</sup> consistent with the Postal Service's Response to Notice of Inquiry No. 1, the Postal Service has determined to make a witness available for oral cross-examination on Library References H-182 and H-109. The identity of the witness is Michael McGrane, a

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<sup>1</sup> NAA's criticisms of the study presented in LR-H-182 rest on faulty premises or interpretations. For instance, NAA's conclusion that "LR H-182 predetermines its results," Motion at 3, does not follow from the fact that the "analysis relies on IOCS tallies as the major basis for spreading many costs," Motion at 2, n.5. It is inconceivable how using IOCS tallies to study the effect of weight on cost could be characterized as result-oriented, particularly since the IOCS develops its results on the basis of hundreds of thousands of individual tallies taken at thousands of different postal facilities.

NAA also errs in concluding that the Postal Service has conceded as "demonstrably incorrect" the study's assumption that city carrier street costs should be distributed in proportion to pieces. The Postal Service has made no such concession. Rather, the Postal Service has defended its conclusion that the large majority of costs in city carrier street time are piece related. See Responses to NAA/USPS-T36-17(a) (filed September 4, 1997) and AAPS/USPS-T36-8 (filed October 1, 1997).

NAA's criticism that no adjustment for dropshipping characteristics was made in the study is inconsequential and, moreover, has been mooted by the Postal Service's subsequent responses to discovery. NAA ignores the Postal Service's explanation in its response to NAA/USPS-T36-21(b) that prior experience with a similar weight-cost study of Standard (A) Mail presented in Docket No. MC95-1 demonstrated that "such an adjustment resulted in insignificant change in the cost relationships." Nonetheless, an analysis of the effect of dropshipping and presort characteristics on the study's results was prepared and filed in response to ADVO/USPS-28 (filed October 1, 1997). That response confirms the Postal Service's initial conclusion, *i.e.*, that adjustments for dropshipping and presort characteristics have an insignificant effect on the cost/weight relationship.

senior economist with Christensen Associates. The Postal Service intends to designate Mr. McGrane's written testimony as USPS-ST-44 and intends to file it as soon as possible. The Postal Service will also file a notice in advance of Mr. McGrane's scheduled appearance identifying the institutional interrogatory responses to which Mr. McGrane will attest. Because the Postal Service intends to provide NAA and the other participants an opportunity to examine the witness on the subject matter presented in Library References H-182 and H-109, NAA's Motion should be dismissed as moot.

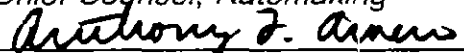
With regard to scheduling, Mr. McGrane plans to be in Washington, D.C. during the week of October 20, 1997. In order to provide the participants, the Postal Service, and the witness sufficient time to prepare for hearings, the Postal Service requests that Mr. McGrane be scheduled to appear for oral cross-examination on October 23 or 24. This would promote administrative convenience, since the Presiding Officer has already reserved these dates to accommodate extended cross-examination or recall of witnesses, as provided in P.O. Ruling. No. 1/22, Attachment A.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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October 6, 1997

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
Anthony F. Alverno

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October 6, 1997